

IT Project Proposal Report - Detail
Agency: 025 - DEPT OF HEALTH & HUMAN SERVICES
Budget Cycle: 2013-2015 Biennium **Version: AF - AGENCY FINAL REQUEST**

IT Project : ICD-10

General Section

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City : Lincoln		NITC Score :
State : Nebraska	Zip : 68508	

Expenditures

IT Project Costs	Total	Prior Exp	FY12 Appr/Reappr	FY14 Request	FY15 Request	Future Add
Contractual Services						
Design	0	0	0	0	0	0
Programming	0	0	0	0	0	0
Project Management	0	0	0	0	0	0
Data Conversion	0	0	0	0	0	0
Other	18,970,777	970,777	6,000,000	6,000,000	6,000,000	0
Subtotal Contractual Services	18,970,777	970,777	6,000,000	6,000,000	6,000,000	0
Telecommunications						
Data	0	0	0	0	0	0
Video	0	0	0	0	0	0
Voice	0	0	0	0	0	0
Wireless	0	0	0	0	0	0
Subtotal Telecommunications	0	0	0	0	0	0
Training						
Technical Staff	0	0	0	0	0	0
End-user Staff	0	0	0	0	0	0
Subtotal Training	0	0	0	0	0	0

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Expenditures

IT Project Costs	Total	Prior Exp	FY12 Appr/Reappr	FY14 Request	FY15 Request	Future Add
Other Operating Costs						
Personnel Cost	72,641	72,641	0	0	0	0
Supplies & Materials	0	0	0	0	0	0
Travel	3,578	3,578	0	0	0	0
Other	35	35	0	0	0	0
Subtotal Other Operating Costs	76,254	76,254	0	0	0	0
Capital Expenditures						
Hardware	16,073	16,073	0	0	0	0
Software	964	964	0	0	0	0
Network	0	0	0	0	0	0
Other	0	0	0	0	0	0
Subtotal Capital Expenditures	17,037	17,037	0	0	0	0
TOTAL PROJECT COST	19,064,068	1,064,068	6,000,000	6,000,000	6,000,000	0

Funding

Fund Type	Total	Prior Exp	FY12 Appr/Reappr	FY14 Request	FY15 Request	Future Add
General Fund	1,906,407	106,407	600,000	600,000	600,000	0
Cash Fund	0	0	0	0	0	0
Federal Fund	17,157,661	957,661	5,400,000	5,400,000	5,400,000	0
Revolving Fund	0	0	0	0	0	0
Other Fund	0	0	0	0	0	0
TOTAL FUNDING	19,064,068	1,064,068	6,000,000	6,000,000	6,000,000	0
VARIANCE	0	0	0	0	0	0

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IT Project: ICD-10

EXECUTIVE SUMMARY:

In January 2009, the U.S. Department of Health and Human Services released a Health Insurance Portability and Accountability Act (HIPAA) Administrative Simplification Final Rule for adoption of the Tenth Revision of the International Classification of Diseases (ICD-10). ICD-10 is a coding system used to classify diagnoses and hospital procedures. As a HIPAA covered entity, Nebraska DHHS is required to comply with the U.S. Department of Health & Human Services mandate to utilize ICD-10 for medical coding effective October 1, 2014. ICD-9 codes sets used today to designate medical diagnoses and inpatient procedures will be replaced with ICD-10 code sets.

The primary impact of the ICD-10 mandate for Nebraska DHHS is anticipated to fall within the scope of the Medicaid & Long-Term Care (MLTC) division, its business processes and systems, including the Medicaid Management Information System (MMIS). Significant changes to business processes, the MMIS and other smaller systems are anticipated in order to comply with the mandate.

Attachments:

ICD-10 MainDoc.doc

GOALS, OBJECTIVES, AND OUTCOMES (15 PTS):

Please see below for this section.

1. Describe the project, including:

- **Specific goals and objectives;**
- **Expected beneficiaries of the project; and**
- **Expected outcomes.**

The decision to mandate use of ICD-10 was driven primarily by the current limitations of ICD-9, which has been in use since the 1970s. From that time, ICD-9 has slowly become outdated and can no longer accurately capture and reflect appropriate medical classifications. For example, in its current use, ICD-9 has the following limitations:

- Lack of structural growth capacity (i.e., limited number of characters) within the existing code set prevents accommodation of advances in health care medicine and technology.
- Diagnosis-Related Groupers (DRGs) currently include various and differing ICD-9 procedure codes.
- ICD-9 terminology has become obsolete and no longer reflects the current state of health care management, medicine or technologies.
- Lack of specificity and modern terminologies inhibits the ability to compare costs and outcomes of different health practices or technologies.
- Inconsistent code structure and terminology prevents data exchanges and data sharing currently in practice on an international scale.
- Inability to accurately reflect medical procedures, conditions or diagnoses as there are too many generic "one-size fits all" codes and "unclassified" dump codes.

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ICD-10 was developed to utilize modern terminology for descriptions and provides greater clarity and specificity when referring to disease state classifications. In addition, ICD-10 provides more clinical information for use in clinical or analytical models. Such detailed information allows health care managers to have greater flexibility in leveraging transaction data to conduct detailed and comprehensive analyses and therefore improve the delivery and quality of care. ICD-10 has several specific characteristics designed to improve the classification and reporting of disease states which ultimately impacts many facets of a Medicaid program.

The ICD-10 Project is a collaborative effort between the MLTC and Information Systems & Technology (IS&T) divisions of DHHS. Two business-focused impact assessments have been completed by MLTC, the second significantly more detailed than the first. Detailed system impact assessments are being initiated by IS&T, the largest of which is the detailed assessment of the impact on the MMIS. The impact assessments are being used to guide planning for the remediation activities. System remediation will follow a standard software development life-cycle approach.

The following matrix outlines anticipated components of the Business Remediation strategy and the rationale/action items for each component.

<i>Strategic Component</i>	<i>Components of Business Remediation Strategic Plan Rationale/Action Item</i>
Alignment among organizational initiatives	<ul style="list-style-type: none"> § Align the ICD-10 transition with other key MLTC priorities (such as acquisition of new DRG grouper software, replacement of the MMIS, statewide managed care, etc.) § Coordinate timing of key initiatives § Align strategic decision-making across initiatives § Avoid duplicative/conflicting efforts § Leverage work across initiatives
Business Processing Methods and Work Flow	<ul style="list-style-type: none"> § Use staff interview findings, along with findings from the subsequent business process review, to identify and prioritize ICD-10 impacts for remediation § Ensure that high-impact functions and staff concerns are addressed in the strategic plan and timeline § Document processor instructions
Code Remediation	<ul style="list-style-type: none"> § Prioritize remediation efforts based on analysis of MLTC ICD code usage § Provide training on use of GEMs and mapping processes to personnel involved in data conversion § Consider use of external tools to support translation § Ensure that high-frequency and high-dollar codes are fully reviewed and translated § Ensure that codes within high-concentration clinical categories (e.g., Mental Disorders, Pregnancy) are thoroughly reviewed/remediated § Align business translation strategy with IS&T technical strategy for remediating systems, sub-systems, interfaces, reports, SCRs, etc.

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	<ul style="list-style-type: none"> § Proactively identify at-risk providers that may need special attention § Leverage custom GEMs developed by other payers
Staff Training	<ul style="list-style-type: none"> § Tailor training to staff roles and responsibilities § Ensure highly-impacted staff receive adequate advance training § Educate personnel about code set specifications and regulatory requirements § Assess impacts on productivity and resource needs
Policy and Business Rule Revision	<ul style="list-style-type: none"> § Prioritize impacts as identified in findings § Consider use of temporary policies/rules designed to facilitate transition § Review/revise rules and policies to accommodate transition to ICD-10 § Develop new policies to support ICD-10 transition § Document/revise processor instructions
Collaboration with IS&T	<ul style="list-style-type: none"> § Align the business and technical remediation strategies – purpose and timing § Update internal system scans of ICD-9 data use § Complete inventory of all impacted systems, subsystems, interfaces, SCRs, reports, etc. – current and planned § Review and address external systems and interfaces § Ensure that policy changes are appropriately reflected in system edits § Prioritize sequence of system changes § Revise error resolution methods as needed § Consider system data storage capacity § Consider compatibility with future versions of ICD § Develop new or upgraded hardware and software requirements § Determine plans for data quality assessment
Fiscal Neutrality Analysis	<ul style="list-style-type: none"> § Ensure that the adoption of ICD-10 does not result in unintended cost increases/decreases in provider payments § Evaluate potential DRG shifts and changes in case mix index § Plan for and mitigate financial risk associated with the transition
Transition Approach	<ul style="list-style-type: none"> § Establish DOS-driven compliance date § Establish the time period for maintaining dual code sets § Maintain access and use of historical data for analysis § Coordinate with vendors/follow up on business associate readiness

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Detailed Project Plan	§ Develop detailed internal implementation timeline § Delineate transition tasks, deadlines, and responsibilities § Specify resources required to complete tasks § Specify stakeholder roles and responsibilities
Testing	§ Conduct internal testing and validation of systems changes § Coordinate testing with vendors and other business associates
Program Documentation Modifications	§ Modify or develop policies, procedures, reports and forms § Modify State Plan, Error Resolution Manual, etc. § Modify vendor contracts as needed

2. Describe the measurement and assessment methods that will verify that the project outcomes have been achieved.

DHHS is employing industry-standard project management practices to plan, initiate, monitor and control project activities. Extensive system testing will be utilized to ensure system changes are validated and tested with external business associates.

3. Describe the project’s relationship to your agency comprehensive information technology plan.

As part of the Medicaid Management Information System (MMIS) Strategy review occurring in the second half of 2012, an overall strategy for the MMIS will be developed. Based on this strategy, the ICD-10 project could have minimal relationship to the plan if the strategy is that the existing MMIS will be replaced. In that situation, a strategy to achieve “minimum compliance” will probably be followed. However, if the existing MMIS system will be leveraged in some manner as part of the future strategy, the ICD-10 project could be a key component of the strategy, by possibly externalizing business rules, developing Services, and other modernization techniques.

PROJECT JUSTIFICATION / BUSINESS CASE (25 PTS):

4. Provide the project justification in terms of tangible benefits (i.e. economic return on investment) and/or intangible benefits (e.g. additional services for customers).

While ICD-10’s main justification is compliance, as noted previously the expanded code set will provide detailed information about factors related to quality care. This additional information can be used to deliver high quality patient care and improve patient outcomes.

5. Describe other solutions that were evaluated, including their strengths and weaknesses, and why they were rejected. Explain the implications of doing nothing and

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why this option is not acceptable.

Solution alternatives will be evaluated and selected following the detailed impact assessments currently underway. Doing nothing would leave the state out of compliance with federal regulations and also not allow the processing of Medicaid health care claims that are transmitted using the ICD-10 code set.

6. If the project is the result of a state or federal mandate, please specify the mandate being addressed.

On January 16, 2009, the U.S. Department of Health and Human Services (HHS) released the [final rule](#) mandating that everyone covered by the [Health Insurance Portability and Accountability Act \(HIPAA\)](#) implement [ICD-10](#) for medical coding.

On August 24, 2012, HHS [announced](#) the [final rule](#) that delays the ICD-10 compliance date from October 1, 2013 to October 1, 2014.

TECHNICAL IMPACT (20 PTS):

7. Describe how the project enhances, changes or replaces present technology systems, or implements a new technology system. Describe the technical elements of the project, including hardware, software, and communications requirements. Describe the strengths and weaknesses of the proposed solution.

Solution alternatives will be developed and selected subsequent to the detailed system impact assessments which are currently ongoing.

8. Address the following issues with respect to the proposed technology:

- Describe the reliability, security and scalability (future needs for growth or adaptation) of the technology.
- Address conformity with applicable NITC technical standards and guidelines (available at <http://nitc.ne.gov/standards/>) and generally accepted industry standards.
- Address the compatibility with existing institutional and/or statewide infrastructure.

To be determined when solution alternatives are developed and considered.

PRELIMINARY PLAN FOR IMPLEMENTATION (10 PTS):

9. Describe the preliminary plans for implementing the project. Identify project sponsor(s) and examine stakeholder acceptance. Describe the project team, including their roles, responsibilities, and experience.

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The MLTC portion of the scope of the ICD-10 project is sponsored by Ruth Vineyard, MLTC Deputy Director for Initiatives and Eligibility. The ICD-10 Project is a collaborative effort between the MLTC and Information Systems & Technology (IS&T) divisions of DHHS. The project will be managed by a joint project management team representing both MLTC and IS&T. Generally, MLTC will be responsible for the business aspects of the project while IS&T will be responsible for systems development. The ICD-10 mandate may also impact business processes and systems within DHHS but outside the scope of the MLTC division. These impacts are anticipated to be significantly smaller in scope than the impact on MLTC and the MMIS. The IS&T project team will take responsibility to make non-MLTC business areas aware of the ICD-10 mandate and assist efforts by those business areas to assess their business processes and systems for impact. If non-Medicaid impacts are identified, IS&T will work with the impacted business area to assess remediation alternatives and the resources required to initiate remediation activity.

10. List the major milestones and/or deliverables and provide a timeline for completing each.

Detailed systems impact assessments are planned for completion in the 4th quarter of calendar year 2012. When impact assessments are completed, business and technical strategies will be developed which will drive the specific systems development life-cycle schedule along with the required business process, policy and procedure changes.

As was noted previously, the compliance date for ICD-10 is October 1, 2014.

11. Describe the training and staff development requirements.

The staff training requirements for successful implementation of the ICD-10 coding structure are significant.

12. Describe the ongoing support requirements.

These will be developed as part of the project.

RISK ASSESSMENT (10 PTS):

13. Describe possible barriers and risks related to the project and the relative importance of each.

ICD-10 will be completed during a time when many other major initiatives are in progress within the state Medicaid division. Resource contention will be high, and also the ability of DHHS and Medicaid to have the bandwidth to manage a significant amount of activity will be tested.

14. Identify strategies which have been developed to minimize risks.

DHHS has a number of resources that worked on the HIPAA 5010 project that gained knowledge of the state MMIS. This knowledge will be leveraged to ICD-10. DHHS will employ

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a project governance structure for the coordination of the numerous Medicaid and IS&T projects that will be underway simultaneously. Internal subject matter expertise, both in Medicaid business operations and MMIS system operations, are being supplemented and leveraged with supplemental contract resources.

FINANCIAL ANALYSIS AND BUDGET (20 PTS):

The "Financial" information tab in the Nebraska Budget Request and Reporting System (NBRRS) is used to enter the financial information for this project.

Attachments:

ICD-10 Financial.xlsx